

# Maryland Division of Unemployment Insurance

Maryland House Economic Matters Committee Presentation



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## Our Commitment to Excellence

The Unemployment Insurance (UI) program provides vital benefits to individuals who have lost their jobs. In a typical year, the Maryland Division of Unemployment Insurance serves hundreds of thousands of Marylanders, who receive hundreds of millions of dollars of benefits to support themselves and their families as they search for work.

Many dedicated public employees worked tirelessly through the pandemic to serve Marylanders and to make critical improvements to existing antiquated systems. But there is still much to do.

Maryland UI must be **more user friendly, more secure, and more solvent.**

## Where We Are Focused

The pandemic highlighted key challenges for the program, which we know we must address including:

- Customer service
- Staffing shortages
- New and increasingly-sophisticated fraud schemes
- Legitimate claimants hindered by fraud prevention measures
- Shortfalls in the BEACON 2.0 system and the BEACON mobile app
- Trust fund solvency

# Unemployment Insurance Overview

The UI program is a **federal-state partnership** which provides temporary financial support to unemployed workers who meet certain eligibility requirements. The UI program is funded primarily through employer contributions.

- **What we do** - Maryland Division of Unemployment Insurance:
  - processes claims applications and pays out benefits to eligible claimants,
  - connects our customers to the Maryland Department of Labor's Workforce Development services to help them become reemployed,
  - collects and processes employer contributions to ensure benefits can be paid to the unemployed in the future, and
  - conducts hearings and issues decisions on appealed UI determinations.
- **What the federal government does** -
  - collects federal employer contributions (FUTA) which pay for UI administrative costs, and
  - funds federal benefits such as those provided by the CARES Act during the pandemic.

## Who is Eligible for Benefits in MD?

Eligible regular UI claimants receive a **weekly benefit amount between \$50 (minimum) and \$430 (maximum)** for **up to 26 weeks**. In times of high unemployment, a federal extension beyond 26 weeks may be available.

Generally, to **be eligible for UI in Maryland**, an individual must:

- be unemployed through no fault of their own;
- have worked and earned sufficient wages during an established time period (base period);
- be able and available for work without restrictions.

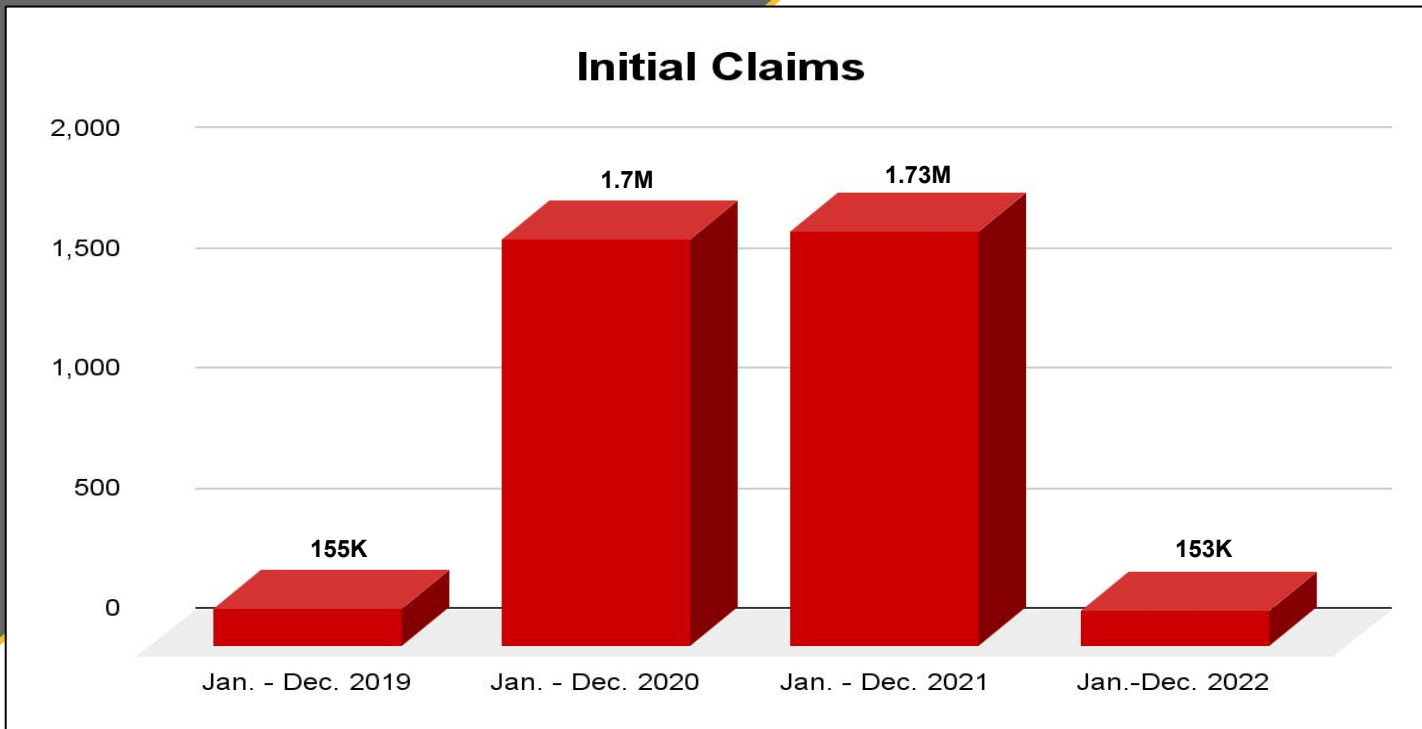
Claimants must also:

- meet [work search requirements](#);
- file weekly claim certifications on time;
- report all payments they receive on weekly claim certifications (i.e., wages, severance, vacation pay, commission, pension payments, etc.);
- be available for appointments or contact the Maryland Department of Labor when instructed to do so; and,
- accept an offer of suitable work.

For more information, see [Eligibility Requirements FAQs](#).

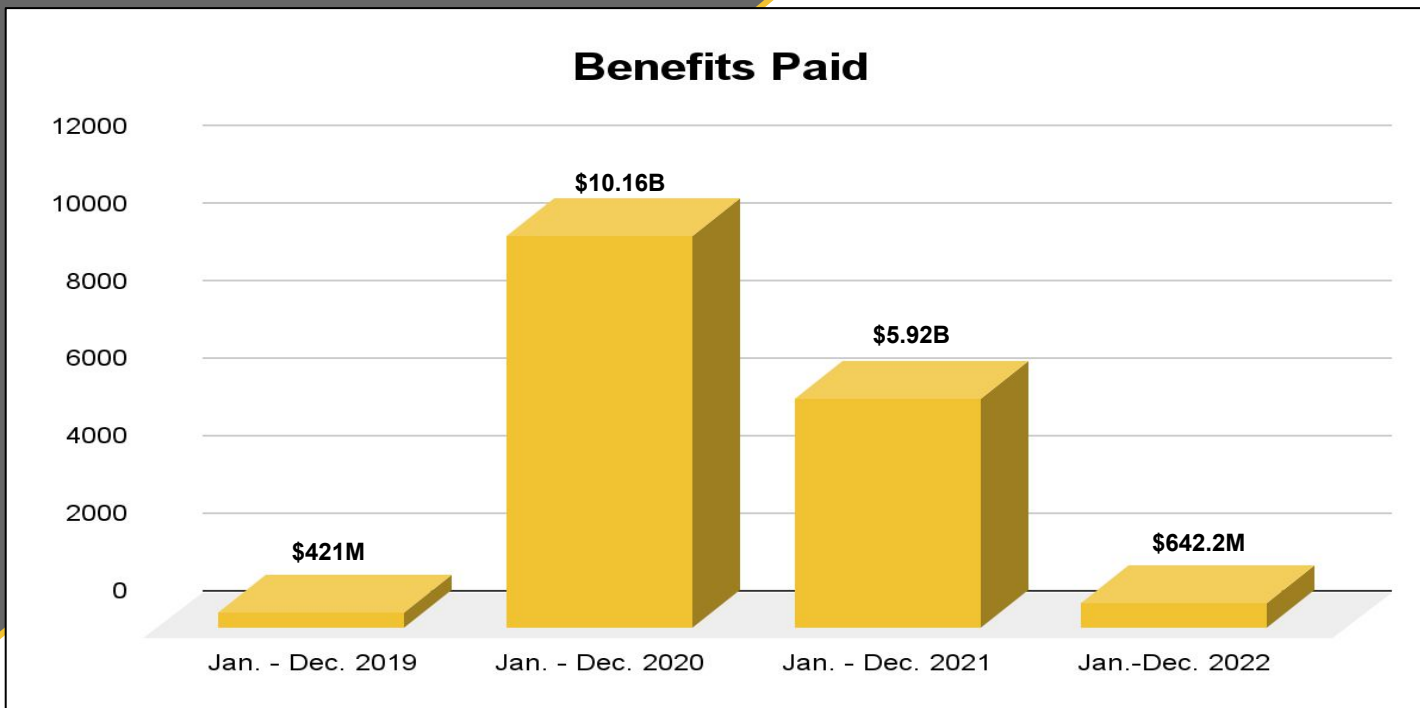
# Initial Claims Filed

Including Pandemic Programs  
2019-2022



Source: USDOL ETA reports.

# Total Benefits Paid including Pandemic Programs 2019-2022



Source: Maryland Division of Unemployment Insurance, Metrics Unit data query.

# Continuing to Improve Our Online System

In 2020, we launched a **new system, BEACON 2.0, to replace a decades-old legacy mainframe system. It integrates UI benefits, appeals, and contributions functionalities in one system.** We recognize that BEACON 2.0 has had some shortcomings since it launched. We are working to address them.

- **Claimants can:** file initial claims and weekly claim certifications; upload supporting documents; file appeals; track and pay overpayments; sign up for direct deposit or check; and more.
- **Employers and third-party agents can:** submit required reports and information; access their contribution rate; submit wage reports and pay contributions; respond to requests for information; protest charges; file appeals, set up a third-party agent; and more.
- **Staff can:** take claims from all UI programs, both state and federal; adjudicate issues; review wage information; track overpayments and their recovery; perform appeals functions; audit claims; and more.

**Security features:** We have continued to upgrade BEACON's security features, which include firewall configurations, manual blocking of IP addresses, a security app for cloud data storage, encryption techniques to protect PII, anti-virus and anti-malware products on a servers, alerts when certain activities occur, and a Secure File Transfer Protocol (SFTP) to move files from outside systems.



# How We Serve Our Customers

We are committed to getting benefits into the hands of eligible claimants as quickly as possible. Federal law is clear – Maryland must administer its UI program in such a way to be reasonably calculated to insure full payment of benefits when due. We offer a variety of ways for claimants to contact us that suit their preferences and their schedules:

- **Video Kiosks** - schedule a video chat with UI staff at designated locations.
- **Claimant Call Center** - call (8 a.m. to 4 p.m., Monday to Friday) to file a claim, submit a weekly claim certification, or ask a question about an issue on their claim.
- **Virtual Assistant** - receive automated answers to common questions or chat with a live claims agent.
- **IVR** - use an automated phone service to file weekly claims certifications.
- **UI Ombudsman** - an additional resource to seek response from claim center staff if their UI issues have not been resolved in a reasonable amount of time.
- **American Job Centers (AJC)** - Claimants who do not have access to computers or smartphones can use the technology at the AJCs to file claims, complete weekly certifications, access BEACON, or scan documents to upload to BEACON.
- **Reemployment Services** - Division staff work with the Department of Workforce Development to help claimants become reemployed, including by signing claimants up for RESEA and ROW workshops.
  - Staff also administer benefits under Trade Readjustment Assistance (TRA), Reemployment Trade Adjustment Assistance (RTAA/ATAA), Additional Training Benefits (TAB), and Work Sharing UI programs.

# Working With Employers

In Maryland, regular UI benefits are primarily funded by **employer UI contributions**.

**Note:** Some UI benefit programs, such as UCFE, UCX, and PUA, among others, are federally-funded.

For UI purposes, there are **two types of employers**: contributory and reimbursable.

- **Contributory employer** - pays quarterly UI contributions based on a rate determined from benefits charged against the employer's accounts and the taxable wages the employer reported to the Division.
- **Reimbursable employer** (government entities and certain non-profit organizations) - reimburses the state for UI benefits charged against their account, instead of paying UI contributions.

Maryland has **166,859 contributory and 1,936 reimbursable employers**.

# Maryland Employer Rates

Employer contributions are deposited into the **Maryland Unemployment Insurance Trust Fund**, which **is used to pay UI benefits to claimants**. The solvency of the trust fund determines which rate table is in effect for the year.

- As of January, Maryland's trust fund balance is **\$1.48 billion**.
- Maryland has six UI rate tables: **Table A** (lowest rates) to **Table F** (highest rates). **Table C** is in effect for **2023**. (**52% of Maryland employers pay at the lowest rate (1.0%)**; and **89% of Maryland employers pay at a rate of 2.30% or less.**)

Rate Table	Rate Range	Contributory Employers - Contributions Due
Table A	0.30% - 7.50%	\$25.50 to \$637.50 per employee annually
Table B	0.60% - 9.00%	\$51 to \$765 per employee annually
Table C	<b>1.00% - 10.50%</b>	<b>\$85 to \$892.50 per employee annually</b>
Table D	1.40% - 11.80%	\$119 to \$1,003 per employee annually
Table E	1.80% - 12.90%	\$153 to \$1,096.50 per employee annually
Table F	2.20% - 13.50%	\$187 to \$1,147.50 per employee annually

## Top UI Fraud Schemes

In recent years we have seen a sharp uptick in attempted fraud, including efforts by sophisticated cyber-criminals. Maryland flagged a total of **1.84 million claimants & 2.4 million claims** as presenting issues and potentially fraudulent between April 2020 and December 2022. **Newer types of UI fraud we have faced since the pandemic include:**

- **Identity Fraud** - fraudsters file claims with personally-identifiable information (PII) they stole directly from victims (for example, via phishing schemes) or obtained from other sources.
- **Account Takeover Fraud** - fraudsters set up phishing sites that look like they are run by the Maryland Department of Labor to trick people into providing their BEACON account IDs and passwords. Fraudsters use this information to change addresses and banking account information to steal benefit payments.
- **Fictitious Employer and Third Party Agent (TPA) Fraud** - fraudsters set up dummy companies, file fake wages for employees, and then file claims using those wages. Some of these dummy companies are set up using real company names. So some honest claimants, when filing claims for benefits, select these dummy companies as a previous employer – which can disclose their PII to those fraudsters.
- **POA Hijack Fraud** - fraudsters set up dummy third-party agents (TPAs) and send fraudulent Power of Attorney documents to represent legitimate companies. When the POA is approved, fraudsters use PII from the company's employee list to file UI claims. In some cases, dummy TPAs with POA access add fake employees to the real company's payroll and file claims using those wages.

# Fraud Prevention Upgrades

We are always working to ensure that our efforts to prevent identity fraud do not throw up roadblocks to eligible claimants. With that in mind, we have developed various identity fraud prevention tools since 2020, including the following:

- **in-house fraud detection algorithms;**
- a process which **allows claimants flagged for fraud to submit identity verification documents online;**
- **a process to validate a claimant's banking information** before benefits are dispersed via direct deposit;
- **functionality which identifies multiple claimants with the same bank routing/account numbers**, and claimants with potentially **fictitious bank accounts**, as potentially fraudulent.
- **functionality to identify claimants as potentially fraudulent** during the **online claim filing process**.
- **functionality to identify claimants as potentially fraudulent** when they file their weekly claim certification or make changes to their BEACON profile information;
- ***Upcoming TrueID identity verification process.*** TrueID will allow claimants to use their smartphone or tablet to take a live picture of their government-issued photo ID to complete the identity verification process. Claimants will be able to get help with this process at various AJC locations.

# Engaging with USDOL

- **Federal Equity Grant** - a federal grant through FY2024 (March 31) to improve equitable access to UI, including by upgrading the functionality of BEACON and the BEACON mobile app.
- **Tiger Team** - Maryland's UI program was evaluated by USDOL's UI Tiger Teams Initiative. The Tiger Teams work with states to help promote equitable access, prevent fraud, and decrease the time eligible claimants have to wait for benefits.
- The federal government uses a long-standing **Resource Justification Model (RJM)** to fund the administration of the UI programs.
- States received extra federal funding in the form of a **Supplemental Budget Request (SBR)** to strengthen integrity measures – but those were short-term grants. **Our challenges with identity fraud are long-term, so the solutions must be too.**

**Thank You!**